LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 0.4% IN Q1 2011
COMBINED RATIO OF 97.4% IN Q1 2011
FULLY CONVERTED BOOK VALUE PER SHARE OF $7.50 AT 31 MARCH 2011

6 May 2011
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three month period ended 31 March 2011.

Financial highlights

	As at 31 March 2011	As at 31 March 2010
Fully converted book value per share	**$7.50**	**$7.38**
Return on equity* – Q1	**0.4%**	**0.9%**
Operating return on equity – Q1	**0.5%**	**0.6%**
Final dividend per common share**	**$0.10**	**$0.10**

* Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.
** See "Dividends" below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010
Highlights ($m)		
Gross premiums written	171.9	228.0
Net premiums written	137.7	203.5
Net profit after tax	8.6	8.2
Net operating profit	6.9	7.9
Share repurchases	nil	12.9
Per share data		
Diluted earnings per share	$0.05	$0.04
Diluted earnings per share – operating	$0.04	$0.04
Financial ratios		
Total investment return	0.6%	1.2%
Net loss ratio	67.0%	77.9%
Combined ratio	97.4%	99.1%
Accident year loss ratio	102.6%	86.8%

Richard Brindle, Group Chief Executive Officer, commented:

"On Friday 11 March 2011 a massive earthquake measuring 9.0 in magnitude struck off the north-east coast of Japan. The earthquake was followed by a powerful tsunami that devastated towns and property in the coastal regions and resulted, tragically, in the loss of many thousands of lives. I would like to express the concern and sympathy of everyone at Lancashire to all those in Japan who have suffered injury and loss, and in particular our Japanese clients and business partners.

We have seen a series of significant catastrophe losses during the first quarter of 2011, including floods in Australia, the Christchurch Lyttleton earthquake in New Zealand, serious storm damage to a Floating Production Storage and Offloading (FPSO) vessel stationed in the North Sea Gryphon field, potential losses arising from the political unrest throughout North Africa and the Middle East, and the Tohoku earthquake and tsunami in Japan. Material losses have been sustained by the industry.

At the time of the release of Lancashire's 2010 year end results in February 2011, I reported that the Group expected a tendency towards declining premiums during 2011. In the light of recent events, the picture for the insurance sector during 2011 is less clear but increasingly positive.

Another noteworthy development is the release of version 11 of the RMS model for U.S. wind risks. RMS version 11 will lead to higher capital requirements across the industry, albeit many companies will be slow - or unwilling - to adjust to the new reality.

Industry losses and the impact of RMS version 11 are creating opportunities for companies that react in a nimble manner. The serious erosion of capital across the insurance and reinsurance market has halted declining premium rates in several classes we write, and is contributing to encouraging premium rate increases in certain business lines. The strongest rate rises are being seen in the property catastrophe retrocession programs, a class where Lancashire is a major market participant. Pricing in other lines we write is also generally holding firm. We continue to explore the possibilities for leveraging our underwriting expertise. We are well positioned to ensure Lancashire can take full advantage of favourable risk pricing opportunities and to provide the coverage required by our clients, whilst ensuring that the capital available for our underwriting is managed flexibly and productively."

Elaine Whelan, Group Chief Financial Officer, commented:

"Against the backdrop of the unusually high level of risk and catastrophe losses impacting our industry so far this year, we are delighted to have performed so well. We also began investing in equities as a risk management response to the dramatic drop in bond values in the fourth quarter. We are therefore happy to report an investment return for the quarter of 0.6%, or 2.5% annualised. This is particularly pleasing given the continued volatility in the investment markets during the quarter.

On the capital side, in the run up to hurricane season and with pockets of market hardening following the accumulation of international property catastrophe losses, we will monitor developments closely, deploying our capital to the best opportunities."

Lancashire Renewal Price Index for major classes

Lancashire's Renewal Price Index ("RPI") is an internal tool that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects Lancashire's assessment of relative changes in price, terms, conditions and limits and is weighted by premium volume (see "Note Regarding RPI Tool" at the end of this announcement for further guidance). The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2010:

Class	**Q1 2011**
Aviation (AV52)	92%
Gulf of Mexico energy	100%
Energy offshore worldwide	104%
Marine	100%
Direct and facultative	94%
Property reinsurance	101%
Terrorism	89%
Combined	**99%**

Underwriting results

Gross premiums written

	Q1 / 3 months to 31 March			
	2011 $m	**2010 $m**	**Change $m**	**Change %**
Property	102.3	152.5	(50.2)	(32.9)
Energy	28.7	36.9	(8.2)	(22.2)
Marine	33.3	31.8	1.5	4.7
Aviation	7.6	6.8	0.8	11.8
Total	**171.9**	**228.0**	**(56.1)**	**(24.6)**

Gross premiums written decreased by 24.6% in the first quarter of 2011 compared to the same period in 2010. The Group's four principal classes, and the key market factors impacting them, are discussed below.

Property gross premiums written decreased by 32.9% for the first quarter of 2011 compared to the same period in 2010. The majority of the reduction is driven by the property catastrophe reinsurance book, where multi-year deals written in 2010 are not currently up for renewal as these contracts continue to earn out. We also reduced our property retrocession book in the face of continued declining pricing and the loosening of terms and conditions. This was offset somewhat by new business opportunities in Australia and New Zealand following the catastrophe losses in those areas. In addition, the first quarter included $6.3 million of reinstatement premiums, compared to $14.5 million in 2010.

Energy gross premiums written, decreased by 22.2% for the first quarter of 2011 compared to the same period in 2010. This was due primarily to a number of long term deals written in the same period in the prior year not being currently up for renewal as those contracts continue to earn out.

Marine gross premiums written, increased by 4.7% for the first quarter of 2011, compared to the same period in 2010. Pricing and renewal rates were broadly stable, with the increase being largely due to a few opportunistic marine retrocession deals in the post Deepwater Horizon market.

Aviation gross premiums written increased by 11.8% for the first quarter of 2011 compared to the same period in 2010. The increase is a result of a return of passengers to the sector in the post - recessionary environment.

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Ceded reinsurance premiums increased by $9.7 million, or 39.6% for the first quarter of 2011 compared to the same period in 2010. Rate increases on our outwards marine and energy reinsurance program following the Deepwater Horizon loss were largely offset by reductions across the remainder of our program. However, additional reinsurance cover was also purchased given the favourable rates available in early 2011. Lastly, our marine and energy outwards reinsurance program was reinstated following the Gryphon energy loss.

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Net premiums earned as a proportion of net premiums written were 105.4% in the first quarter of 2011 compared to 84.4% in the same period in 2010. The combination of the increased premium volume and a number of multi-year deals in the first quarter of 2010 compared to 2011 resulted in a lag in premium earnings into 2011.

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The Group's net loss ratio for the first quarter of 2011 was 67.0% compared to 77.9% for the same period in 2010. The Group incurred total estimated net losses, after reinsurance and reinstatement premiums, of $116.5 million in relation to the Tohoku and Christchurch Lyttleton earthquakes and the Gryphon FPSO loss in the North Sea. This compares to an estimated net loss of $94.5 million in the first quarter of 2010 in relation to the Chilean earthquake. Absent these losses, the net loss ratio would have been negative 16.3% for 2011 and 15.8% for 2010.

The preliminary estimated net loss recorded for the Tohoku earthquake and tsunami was $75.0 million, contributing 52.8 points to the net loss ratio. The net loss recorded for the Christchurch Lyttleton earthquake was $14.1 million, contributing 11.0 points to the net loss ratio. While reserves have been recorded, loss information after a severe earthquake and tsunami can take longer to obtain than for other events. Our estimates are based on previously reported industry loss expectations and the best information obtained from clients and brokers. As additional information emerges, the actual ultimate net losses may vary materially from our preliminary estimates.

Prior year favourable development of $50.8 million, compared to $16.8 million for the first quarter of 2010, reduced the net loss ratio by 35.0 points for 2011, and 9.8 points for 2010.

As was communicated last quarter, an independent external reserve study to incorporate the Group's loss experience with industry factors was completed. This led to a modest net reserve release of $36.9 million. The remaining favourable prior year development in 2011 arose primarily from IBNR releases due to fewer than expected reported losses.

The table below provides further detail of the prior year's loss development by class, excluding the impact of foreign exchange revaluations.

	Q1 2011 $m	Q1 2010 $m
Property	8.6	11.2
Energy	22.7	1.7
Marine	14.1	3.6
Aviation	5.4	0.3
Total	**50.8**	**16.8**

Note: Positive numbers denote favourable development and negative numbers denote adverse development.

The accident year loss ratio for the first quarter of 2011, including the impact of foreign exchange revaluations, was 102.6% compared to 86.8% for the same period in 2010. The first quarter of 2011 accident year loss ratio reflects the impact of estimated expected losses from the Tohoku and Christchurch Lyttleton earthquakes and the Gryphon FPSO loss, offset by a low level of reported losses. The Tohoku and Christchurch Lyttleton earthquakes contributed 52.3% and 9.9% respectively to the 2011 accident year loss ratio with the Gryphon FPSO loss contributing 18.6%. Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2011:

- 2006 - favourable development of $1.9 million (2010: $0.5 million);
- 2007 - favourable development of $6.1 million (2010: $nil);
- 2008 - favourable development of $13.1 million (2010: $10.5 million);
- 2009 - favourable development of $20.3 million (2010: $5.8 million); and
- 2010 - favourable development of $9.4 million.

The ratio of IBNR to total reserves was 46.5% at 31 March 2011 compared to 54.8% at 31 March 2010.

Investments

The Group continues to hold a relatively conservative investment portfolio, consistent with its long-held philosophy and a strong emphasis on preserving capital. At 31 March 2011, the managed portfolio comprised 76.5% fixed income securities, 21.9% cash and cash equivalents, 1.5% equity securities and 0.1% other compared to 91.3% fixed income securities and 8.7% cash and cash equivalents at 31 March 2010. In anticipation of rising interest rates in 2011, the Group has reduced duration and added a small allocation to equity securities this quarter.

Key investment portfolio statistics are:

	As at 31 March 2011	As at 31 March 2010
Duration	1.8 years	2.3 years
Credit quality	AA	AA
Book yield	2.2%	2.9%
Market yield	1.7%	2.1%

Net investment income, excluding realised and unrealised gains and losses, was $11.6 million for the first quarter of 2011, a decrease of 15.3% from the first quarter of 2010. The decrease was partly due to lower yields compared to the first quarter of 2010, and also due to a reduced asset base in 2011, following the Group's special dividend payment in January.

Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $11.7 million for the first quarter of 2011 compared to $24.7 million for the first quarter of 2010. Comparative returns were lower than 2010 due to the investment portfolio duration being reduced and a lower yield environment. The portfolio duration was reduced by almost half a year in order to reduce exposure to interest rates. The Group continues to hold an emerging market debt portfolio, which has been reduced to 5.5% of the portfolio and has an overall average credit quality of BBB. The corporate bond allocation, excluding Federal Deposit Insurance Corporation guaranteed bonds, represented 33.3% of managed invested assets at 31 March 2011 compared to 27.6% at 31 March 2010. There were no impairments recorded in either quarter.

Other operating expenses

Other operating expenses, excluding employee remuneration, are broadly consistent compared with the same period in 2010, reflecting the Group's stable operating platform. Fixed employment costs, excluding equity based compensation, were $6.1 million for both quarters ended 31 March. The variable component of employee compensation included a reduction of $6.7 million for the prior year in relation to the final determination of the previous year's variable compensation. In the current quarter the adjustment was insignificant.

Equity based compensation was $6.4 million in the first quarter of 2011 compared to $5.9 million in the same period last year. The slight increase in the 2011 expense reflects the maturing restricted share awards program, plus an increase in vesting assumptions given the Group's performance and an increase in the proportion of employees' variable compensation provided as deferred shares. The restricted share program began in 2008.

Capital

At 31 March 2011, total capital was $1.413 billion, comprising shareholders' equity of $1.282 billion and $130.8 million of long-term debt. Leverage was 9.3%. Total capital at 31 March 2010 was $1.489 billion.

Repurchase program

There were no shares repurchased during the first quarter of 2011 compared to $12.9 million of shares repurchased in the same period of 2010. The share repurchase program had 7,841,826 shares of the authorised maximum of 18,250,306 remaining to be purchased at 31 March 2011.

At the Annual General Meeting held on 5 May 2011 the shareholders approved a renewed share repurchase program with such authority to expire at the conclusion of the 2012 Annual General Meeting or, if earlier, 15 months from the date the resolution approving the renewed share repurchase program was passed.

Dividends

During the first quarter of 2011, the Lancashire Board declared a final dividend in respect of 2010 of $0.10 (6.2 pence) per common share. The dividend, totaling $18.9 million, was paid on 20 April 2011 to shareholders of record on 18 March 2011.

The Group will continue to review the appropriate level and composition of capital for the Group with the intention of managing capital to enhance risk-adjusted returns on equity.

Financial information

Further details of our 2011 first quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00 pm UK time / 8:00 am EST on Friday, 6 May 2011. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling +44 (0)20 7806 1950 / +1 212 444 0412 with the passcode 7644261. The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Friday, 20 May 2011. The dial in number for the replay facility is +44 (0) 20 7111 1244 /+ 1 347 366 9565 with passcode 7644261# .The replay facility can also be accessed at www.lancashiregroup.com

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Investor enquiries and questions can also be directed to info@lancashiregroup.com or by accessing the Group's website www.lancashiregroup.com.

About Lancashire

Lancashire, through its UK and Bermuda-based insurance subsidiaries, is a global provider of specialty insurance products. The Group companies carry the following ratings:

	Financial Strength Rating (1)	**Long Term Issuer Rating (2)**	**Outlook**
A.M. Best	A-	BBB-	Positive
Standard & Poor's	A-	BBB	Stable
Moody's	A3	Baa2	Stable

(1)Financial Strength Rating applies to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited

(2) Long Term Issuer Rating applies to Lancashire Holdings Limited

Lancashire has capital in excess of $1 billion and its Common Shares trade on the main market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, Bermuda. For more information on Lancashire, visit the Company's website at www.lancashiregroup.com

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority in Bermuda.

Lancashire Insurance Company (UK) Limited is regulated by the Financial Services Authority in the UK.

Lancashire Marketing Services (Middle East) Limited is authorised and regulated by the Dubai Financial Services Authority.

NOTE REGARDING RPI TOOL

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL TOOL THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI TOOL, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', 'WILL', 'SEEKS', 'SHOULD', OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT CREATED BY THE FINANCIAL MARKETS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSUREDS, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO LOSS ARISING FROM NATURAL CATASTROPHE AND MAN MADE EVENTS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

Consolidated statement of comprehensive income

(Unaudited)

	Quarter 1 2011 $m	Quarter 1 2010 $m
Gross premiums written	171.9	228.0
Outwards reinsurance premiums	(34.2)	(24.5)
Net premiums written	137.7	203.5
Change in unearned premiums	(14.5)	(47.9)
Change in unearned premiums on premiums ceded	22.0	16.2
Net premiums earned	145.2	171.8
Net investment income	11.6	13.7
Net other investment loss	(0.1)	(0.1)
Net realised gains (losses) and impairments	2.4	4.3
Net foreign exchange losses	(0.9)	(1.7)
Total net revenue	158.2	188.0
Insurance losses and loss adjustment expenses	105.1	133.5
Insurance losses and loss adjustment expenses recoverable	(7.8)	0.4
Net insurance acquisition expenses	25.4	26.6
Other operating expenses	18.7	9.8
Equity based compensation	6.4	5.9
Total expenses	147.8	176.2
Results of operating activities	10.4	11.8
Financing costs	(2.0)	(1.7)
Profit before tax	8.4	10.1
Tax credit (charge)	0.2	(1.9)
Profit for the period attributable to equity shareholders	8.6	8.2
Net change in unrealised gains/losses on investments	(2.1)	7.0
Tax expense on net change in unrealised gains/losses on investments	(0.1)	(0.2)
Other comprehensive (loss) income	(2.2)	6.8
Total comprehensive income attributable to equity shareholders	6.4	15.0
Net loss ratio	67.0%	77.9%
Net acquisition cost ratio	17.5%	15.5%
Administrative expense ratio	12.9%	5.7%
Combined ratio	97.4%	99.1%
Basic earnings per share	$0.06	$0.05
Diluted earnings per share	$0.05	$0.04
Change in fully converted book value per share	0.4%	0.9%

Consolidated balance sheet

	Unaudited 31 Mar 2011 $m	Unaudited 31 Mar 2010 $m
Assets		
Cash and cash equivalents	493.3	230.6
Accrued interest receivable	12.8	14.8
Investments		
- Fixed income securities		
– available for sale	1,529.9	1,949.1
– at fair value through profit or loss	1.5	-
- Equity securities	29.8	-
- Other investments	(0.4)	-
Reinsurance assets		
- Unearned premiums on premiums ceded	24.9	21.8
- Reinsurance recoveries	41.0	34.7
- Other receivables	2.5	0.7
Deferred acquisition costs	62.7	62.8
Other receivables	45.8	28.9
Inwards premiums receivable from insureds and cedants	239.3	227.7
Deferred tax asset	9.1	3.0
Property, plant and equipment	6.7	7.9
Total assets	**2,498.9**	**2,582.0**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	576.6	607.5
- Unearned premiums	365.1	365.5
- Other payables	16.0	15.2
Amounts payable to reinsurers	20.9	14.2
Deferred acquisition costs ceded	0.7	2.9
Other payables	101.9	82.0
Corporation tax payable	4.4	3.1
Interest rate swap	0.4	3.0
Long-term debt	130.8	129.3
Total liabilities	**1,216.8**	**1,222.7**
Shareholders' equity		
Share capital	84.3	91.2
Own shares	(110.3)	(92.0)
Share premium	2.4	2.4
Contributed surplus	669.7	760.7
Accumulated other comprehensive income	26.0	37.2
Other reserves	74.7	63.4
Retained earnings	535.3	496.4
Total shareholders' equity attributable to equity shareholders	**1,282.1**	**1,359.3**
Total liabilities and shareholders' equity	**2,498.9**	**2,582.0**
Basic book value per share	$8.39	$8.08
Fully converted book value per share	$7.50	$7.38

Consolidated cash flow statement

(unaudited)

	Quarter 1 2011 $m	Quarter 1 2010 $m
Cash flows from operating activities		
Profit before tax	8.4	10.1
Tax paid	(3.4)	(1.2)
Depreciation	0.7	0.7
Interest expense on long-term debt	1.4	1.3
Interest income	(15.2)	(16.9)
Net amortisation of fixed income securities	2.6	2.3
Equity based compensation	6.4	5.9
Foreign exchange losses	1.4	1.6
Net other investment losses	0.1	0.1
Net realised (gains) losses and impairments	(2.4)	(4.3)
Unrealised gain on interest rate swaps	(0.3)	(0.5)
Changes in operational assets and liabilities		
-insurance and reinsurance contracts	45.6	103.1
-other assets and liabilities	22.1	4.6
Net cash flows from operating activities	**67.4**	**106.8**
Cash flows from (used in) investing activities		
Interest received	15.8	14.1
Net purchase of property, plant and equipment	-	(0.3)
Purchase of fixed income securities	(489.3)	(596.4)
Purchase of equity securities	(29.1)	-
Proceeds on maturity and disposal of fixed income securities	675.9	548.2
Net proceeds on disposal other investments	(1.0)	0.6
Net cash flows from (used in) investing activities	**172.3**	**(33.8)**
Cash flows used in financing activities		
Interest paid	(1.3)	(1.3)
Dividends paid	(264.0)	(263.0)
Shares repurchased	-	(16.2)
Net cash flows used in financing activities	**(265.3)**	**(280.5)**
Net decrease in cash and cash equivalents	**(25.6)**	**(207.5)**
Cash and cash equivalents at beginning of period	512.5	440.0
Effect of exchange rate fluctuations on cash and cash equivalents	6.4	(1.9)
Cash and cash equivalents at end of period	**493.3**	**230.6**